Strategy Earning Quality_SOLIDJOURNAL03012021

by Turnitin Indonesia

Submission date: 07-Apr-2021 08:35AM (UTC-0700)
Submission ID: 1552839087
File name: Strategy_Earning_Quality_SOLIDJOURNAL03012021.pdf (726.79K)
Word count: 3952
Character count: 21580

Solid State Technology
Volume: 63 Issue: 5
Publication Year: 2020

Strategic Management for sustainable earnings quality with the approach: Tax allocation between period and liquidity, A case studies of mining companies in Indonesia

Wastam Wahyu Hidayat
Faculty of Economics and Business,Universitas Bhayangkara Jakarta Raya,Indonesia
wastam.wahyu@dsn.Ubharajaya.ac.id

Triana Yuniati
Faculty of Economics and Business,Universitas Bhayangkara Jakarta Raya,Indonesia
triana.yuniati@dsn.Ubharajaya.ac.id

Ery Teguh Prasetyo
Faculty of Economics and Business, Universitas Bhayangkara Jakarta Raya, Indonesia
ery.teguh@Ubharajaya.ac.id

Abstract **-**This research aims to test the effect of tax allocation between period, and liquidity on Earning Quality with Discretionary Accruals proxies. This research uses a quantitative approach. The population in this study was a mining company listed on the Indonesia Stock Exchange (IDX) during 2012 - 2017. The sampling method used is purposive sampling. Purposive sampling is a technique with certain considerations or that meets certain criteria, so the samples that can be taken in this study are 12 mining companies out of a total population of 46 mining companies. The data analysis in this study uses multiple linear regression analysis. To obtain unbiased test results, classic assumption testing is first performed, then model feasibility testing is performed. The results showed that partially at a confidence rate of 0.05 percent, variable tax allocation between periods partially did not affect the quality of profits with DACC proxies because sig was greater than 0.05 that is, 0.638. Liquidity variables have no partial significance to the quality of profit because siq is greater than 0.05 that is, 0.133 and Together the variable Tax allocation between the period and Liquidity does not affect the Earning Quality since Sig is greater than 0.05 that is 0.319.

Keywords- tax allocation between period, liquidity, Earning Quality

I. INTRODUCTION

Market theory suggests that the market will react immediately to new information. An efficient market is a balanced price that reflects all the information available to investors at a certain point in time. In the history of the capital market in Indonesia which is the activity of buying and selling stocks and bonds has been going on since 1880 is as one of the sources of financing in the business world. The capital market will play an optimal role if the capital market is efficient, the capital market is efficient judging by the price of the securities reflected in the relevant information. One classification of such information is public information. Publicly available information is the company's financial statements (Nurhanifah and Jaya,2014). Financial statements are one of the means used by management to provide information outside the company. Profit information in financial statements becomes one of the indicators of the company's performance assessment as well as the basis of decision making. Users of financial statements tend to want high profits. This leads to a difference in desire and perception between investors and the company's management and allows the presentation of information in financial statements to be inaccurate (Eka Oktaraya, 2014). According to Hery (2015) in his book, an Income statement is a report that presents a measure of the company's operating success over some time. With the income statement, investors can know the number of profitability that will be generated by the investee. Through the income statement, creditors may also consider the creditworthiness of the debtor. Tax determination stipulated that will be deposited into state coffers is also obtained based on the amount of net profit shown through the income statement. Due to differences of interest between management and investors resulting in an agency conflict commonly referred to as agency conflict i.e. conflict between the agent (the managing party of the company) and the principal (shareholder) has different interests and conflicts. Because both the agent and the principal both seek to increase their profits based on the information they have, therefore there is a reason that the agent as the managing party of the company tends to attach his purpose that can give him an advantage as opposed to acting following the principal's interests, this can result in low-Earning Quality (Halimatus Saidah, 2015). Based on agency theory, the problem can be solved by making Earning Quality as one of the measuring instruments to assess the quality of financial information. The high quality of financial information comes from the high quality of financial statements., that the quality of profit is the establishment of profit in determining the truth of the company's profit and predicting the future profit taking into account the stability of the company and the persistence of profit. A company is said to be qualified when the profit presented in its financial statements is a real profit and describes the company's actual financial performance (Halimatus Saidah, 2015). The quality of profit is based on the relationship of accrued cash profit that can be measured by various measures, namely: the ratio of operating cash to profit, total accrual changes, abnormal estimates, or discretionary accruals (abnormal accruals or DA), and estimated cash accrual relationships. By using a measure of the ratio of operating cash to profit, the quality of profit can be shown through the proximity of profit to operating cash flow. Earnings that are getting closer to operating cash flow indicate an increasingly quality profit. By using the size of the total accrual change, the quality profit is the profit that has a small total accrual change. It can be assumed that the total accrual change is due to discretionary changes, accruals. Discretionary accruals estimates can be measured directly to determine the quality of profit. The smaller discretionary accruals the higher the quality of profit and vice versa (Halimatus Saidah, 2015). The tax allocation between periods or inter-period tax allocations is the atar income tax allocation of the financial year period which is one with the period - the period of the following financial year or thereafter. Tax allocation between periods applies the results of the implementation of accrual accounting concept reflected in the amount of deferred tax expense and income reported in conjunction with the current tax expense in the income statement (Nurhanifah and Jaya,2014). Liquidity ratio is a company's ability to fulfill its short-term obligations in a timely way. The company's ability to meet its current obligations is higher if the number of current assets is greater than its current liabilities, so it can be said that the company can meet its current obligations. If the company can fulfill its short-term obligations then the profit information generated by the company is a quality profit or actual profit. Companies with high current ratios will have relatively small risks so creditors feel confident in lending to the company, and investors will be interested in investing their funds into the company because investors are confident that the company can survive. Thus at the time, the profit is published the market will respond positively to the profit. The commonly used liquidity ratio is the current ratio. A high current ratio is usually considered to indicate no problems in liquidity, so higher liquidity means that the profit generated by a company is quality because the management of the company does not need to conduct profit management practices (Paulina Warianto,2014). With problems related to Earning Quality and inconsistency of some research results, it encourages researchers to conduct research to look at the effect on Earning Quality, which uses tax allocation between periods, and liquidity in mining companies listed on the Indonesia Stock Exchange from 2012 – 2017. So researchers are interested in conducting a study titled "Effect of Tax Allocation Between Periods and Liquidity on Earning Quality"

.

II. LITERATUR REVIEW AND HYPOTHESES

Earning Quality

According to Yadiawati W and Mubarok A (2017) related to testing the quality of financial reporting with Earning Quality models, Braam and Van Beest stated as follows: "From methodology, uncertainty is reflected in the different types of measurement methods developed to test and evaluate the quality of financial reporting. These methods most commonly used include capital market-based accounting studies, profit management studies, and Earning Quality". From the explanation of Braam and Van Beest, it appears that there are several methods of testing the quality of financial reporting that is often used, one of which is earning quality. Dechow et al, explaining the quality of profit as follows: "Higher Earning Quality provides more information about the company's financial performance relevant to decisions made by certain users.

Tax allocation between Period

Tax allocation between periods or inter period tax allocation is the allocation of income tax between the period of the financial year which is one with the following period of the financial year or thereafter. The allocation of income tax between this financial year period is necessary due to differences in the amount of taxable profit and accounting profit. The method of tax allocation is used to account for the influence of taxes and how those influences should be presented in financial statements (Yoga Anisa and Tresno Eka, 2014). According to PSAK No. 46, the recognition of tax allocation between other periods begins with the necessity for the company to recognize deferred tax assets and liabilities reported on the balance sheet. The recognition of deferred assets and tax liabilities is an acknowledgment of the future tax consequences of accumulative effects of temporary differences in income recognition and expenses for accounting purposes and fiscal purposes. The tax allocation between periods is measured by looking at the amount of income and deferred tax expense reported in profit or loss, then dividing it by the amount of accounting profit before tax, the scale of the data used by the ratio (Sonya Romasari,2014).

Liquidity

According to Hery (2015), Liquidity ratio is a ratio that demonstrates the company's ability to meet its obligations or pay its short-term debt. In other words, liquidity ratios are ratios that can be used to measure how far the company's ability to pay off its short-term liabilities is due soon. If the company can pay off its short-term liabilities at maturity then the company is said to be a liquid company. Conversely, if the company cannot pay off its short-term liabilities at maturity, the company is said to be an illiquid company. To meet its short-term obligations that are due soon, the company must have a good level of availability of cash amounts or other current assets that can also be immediately converted or converted into cash.

Conceptual Models and Hypotheses

The Effect of Tax Allocation between period on Earning Quality

Tax allocation between periods applies the results of the implementation of accrual accounting concepts reflected in the amount of deferred tax expense and income reported in conjunction with the current tax expense in the income statement (PSAK 46). The allocation of taxes between periods begins with the necessity for the company to recognize the deferred tax assets and liabilities reported on the balance sheet. The recognition of deferred assets and tax liabilities is an acknowledgment of the future tax consequences of accumulative effects of temporary differences in income recognition and expenses for accounting purposes and fiscal purposes. This research is in line with the results of research conducted by Yoga Anisa and Tresno Eka (2014) entitled the effect of tax allocation between periods, investment opportunity set, and liquidity on Earning Quality. The result of his research is that tax allocation between periods has a negative but insignificant effect on the quality of profit, investment opportunity set has a significant negative influence on the quality of profit, and liquidity has a negative influence on the quality of profit.

H.1 Tax Allocation between periods affects Earning Quality.

The Effect of Liquidity on Earning Quality

Liquidity ratio is a ratio that demonstrates a company's ability to meet its obligations or pay its short-term debt. In other words, liquidity ratios are ratios that can be used to measure how far the company's ability to pay off its short-term liabilities is due soon. If the company's liquidity level is too high it means that the company is unable to manage its current assets to the maximum, so it can lower its financial performance because there are indications to manipulate profit information or conduct profit management practices, and this can lead to the low quality of the company's profits. This research is in line with the results of research conducted by Saidah (2015) entitled the influence or leverage, liquidity, size, profit growth, and IOS on Earning Quality. As result leverage has no significant effect on Earning Quality, liquidity has no significant effect on Earning Quality, size has a significant effect on Earning Quality and IOS has a significant effect on Earning Quality.

H.2 Liquidity affects Earning Quality.

III. Methodology

Sample and Data

In this study, using the mothode of quantitative research because the research data use the numbers. The data collection method used in this study is secondary data derived from the financial statements of 12 mining companies listed on the Indonesia Stock Exchange (IDX) for the period 2012 – 2017. In this study as an independent variable namely, Tax Allocation between Periods, Liquidity, and independent variable is Earning Quality.

Variable Operations

Earning Quality

In this study, the quality of profit was measured by discretionary accruals proxies using modified Jones models by calculating the difference between Total Accruals (TACC) and nondiscretionary accruals (NDACC). The steps to calculate discretionary accruals Modified Jones are as follows (Shanie, Kusmuriyanto, and Linda, 2014):

a. Total Accruals

$$TACCit = EBXTit – OCFit$$

b. Non Discretionary Acruals

$$TACCit/TAi,t\text{-}1 = \alpha1(1/TAi,t\text{-}1) + \alpha2((\Delta REVit - \Delta RECit)/TAi,t\text{-}1) + \alpha3(PPEit/TAi,t\text{-}1) + \varepsilon$$

Description:

TACCit : Total acruals in year t
EBXTit : Company net income i in year t

OCFit : Cash flow from the company's operating cash flow i in year t
TAi,t-1 : Total assets of the company i at the end of the year t-1
ΔREVit : Change in company revenue i from year t-1 to year t
ΔREC I : Change in receivables of company i from year t-1 to year t
PPEi t : Gross property, plant and equipment company i in year t
ε : error

c. Discretionary Acruals

$$DACCit = (TACCit/TAi,t\text{-}1) - NDACCit$$

Description:

DACCit : Discretionary company in year t
TACCit : Total acruals in year t
NDACCit : Non discretionary acruals in year t

Tax allocation between periods

The tax allocation between periods (ALPA) is measured by looking at the amount of income and deferred tax expense reported in the income statement, then dividing it by the amount of accounting profit before tax, as follows (Yoga Anisa and Tresno Eka,2014) "

$$ALPAit = \frac{BPTit}{LRSPit} \text{ or } \frac{PPTit}{LRSPit}$$

Description:

ALPAit : Allocation of taxes between periods for companies I reporting deferred tax expense.
BPTit : Deferred tax expense of company i in the period (year) t
LRSit : Deferred corporate tax income i in the period (year) t
PPTit : Profit (loss) before corporate tax i in the period (year) t

Liquidity

According to Cashmere (2014) in general, the main purpose of the financial ratio used is to assess the company's ability to meet its obligations. From the liquidity ratio can be known other more specific things that are also still related to the company's ability to meet its obligations. All of this depends on the type of liquidity ratio used. To measure the financial ratio in full, it can use the types of liquidity ratios that exist.

The liquidity ratio used in this study is using the current ratio, with the following formula:

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

Data Analysis Methods

The data analysis used in this study is a Double Linear Regression analysis with the help of spss program version 20.

IV. RESULTS AND DISCUSSION

Table.1. ***Model Summary***

Model	R	R Square	Adjust R Square	F-Change	Sig .F Change
1	0.180	0.033	0.004	1.160	0.319b

Resources are processed

Based on Table.1 Summary Model that the determinant coefficient (R2) of Tax allocation between period and Liquidity can be r square value of 0.033 or 3.3% thus indicating that the percentage of contribution of influence of independent variables namely Tax Alokasai between periods and Liquidity to Earning Quality dependent variables is 3.3%. While the rest (100% - 3.3% = 95.7%) other variables outside of this regression model. While the results of the Simultan Test (Test F) obtained a significance value of 0.319 greater than 0.05 so that simultaneously variable tax allocation between periods and liquidation does not affect the quality of profit.

Table 2. Koefisien

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std.Error	t	Sig
1	(Constan)	-0.556	0.095	5.847	0.000
	ALPA	0.047	0.100	0.473	0.638
	LIQ	0.074	0.040	1.522	0.133

Resources are processed

According to Table 2, the coefficient shows that the output result of the variable coefficient of Tax Allocation between periods of the significant value of 0.638 > 0.05, thus partially variable tax allocation between periods does not affect Earning Quality. The results of this study that measure deferred tax expense (income) have no effect quality with DACC measurements. The reason why deferred tax expense and income reporting does not affect Earning Quality using DACC proxies. This is because investors are aware that the deferred tax expense (income) reported in the income statement is the result of accrued accounting. Also, the deferred tax expense (income) reported in the profit or loss report is a transitory component or a temporary component. With that awareness, investors will understand that the increase or (decrease) in accounting profit is only a result of the recognition of tax consequences due to temporary differences in the carrying value of assets and liabilities based on accounting and taxation provisions. This result is following research conducted by Nurhanifah dan Jaya (2014) with the title of the influence of tax allocation between periods and liquidity on the quality of profit, which states that the allocation of tax between periods does not affect the quality of profit (discretionary accruals) due to both expenses and deferred tax income reported in the income statement is seen as a perception disorder, as a result of accrual accounting in recognition of income and expenses and other events that have tax consequences.

According to Table 2 the coefficient shows that the result of the variable coefficient of Liquidity Allocation is a significant value of 0.133 >0.05, partially variable Liquidity does not affect the Quality of Profit. Variable liquidity does not affect the quality of profit that can be seen from the higher liquidity of the company will reduce the quality of profit. If a company's liquidity level is too high, it means that the company is unable to manage its current assets to the fullest extent possible, resulting in poor financial performance conditions. The company's poor financial performance will result in the company manipulating its profits to improve the profit information on the company's financial statements to attract investors to invest its funds in the company. This will harm investors. Therefore investors give a negative response to companies that have relatively high levels of liquidity. This result is following research conducted by Saidah (2015) with the title of the influence of leverage, liquidity, size, profit growth, and IOS on the quality of profit, which states that liquidity has no significant effect on the quality of profit (discretionary accruals). Because the average distribution of liquidity is included in the criteria less liquid. If a company's liquidity level is too high, it means that the company is unable to manage its current assets to the fullest extent possible, resulting in the company's poor financial performance conditions, which will result in the company manipulating its profits to beautify the profit information on the company's financial statements. Therefore investors will give a negative response to companies that have relatively high liquidity levels.

.

V. CONCLUSION

Based on the results of the data analysis and discussion that has been discussed above can be concluded that: First, the variable tax allocation between periods partially does not affect the quality of profit with DACC proxy. Second, Liquidity variables have no partial effect on the quality of profit, and Third, Together the Variable Tax Allocation between the period and Liquidity does not affect the Earning Quality. This research is expected to help every mining company to carry out the better and careful financial management, as well as to conduct a good analysis of the Allocation of Taxes between periods and Liquidity properly so that the quality of profit and can be trusted by people and investors.

REFERENCES

[1] Aditama.F and Purwaningsih.A. 2014. Mode.Effect of Tax Planning on Profit Management on Non-Manufacturing Companies Listed on Indonesia Stock Exchange, Jurnal Modus Vol 26 No 1.33-50

[2] Amalia,Nurul.2017.". Effect of Inter-Period Tax Allocation and Liquidity on The Quality of Case Study Profit on Mining Companies Registered in ursa Efek Indonesia Year 2012-2016 Thesis : Bhayangkara University Jakarta Raya.

[3] Harahap,S.S.2015.Theory.Accounting Revision Edition 2011.Jakarta:Rajawali

[4] Heri.2015.Management Performance Analysis,Jkarta Grasindo

[5] Ilyas,W.B and Priantara,D.2015." Accounting of Taxation.Jakarta" Media Discourse Partners. Applied Based Accounting Standards & Latest Tax Provisions.Yogyakarta:ANDI.

[6] Ilyas,W.B and Priantara,D.2015." Tax Accounting" Jakarta:Publishers, Media Discourse Partners.

[7] Cashmere.2014." Analysis of Financial Statements". Publisher Jakarta:Rajawali.

[8] Kurniawan,Albert.2014." Research Methods for Economics & Business, Theory For Concepts & Practices" Business Research. Publisher ,Bandung:Alfabeta.

[9] Lubis,Irsan.2015.Proficient accounting,Applied Tax Based on Accounting Standards and latest Tax Provisions,Yogyakarta : Andi

[10] Nurhanifah, Y.A and Jaya, T.E.2014." Influence of Tax Allocation Between Periods, Investment Opportunity Set and Liquidity On Earning Quality, Scientific Journal of Accounting Rides Vol 9 No. 2,109-133.

[11] Oktaraya.E,Syafitri.L, and Wijaya 2014,"Influence of profit growth, Invesment opportunity set,leverage of companies on Earning Quality on idx-listed companies" Thesis-Univ.Bahyangkara Jakarta Raya.

[11] Romasari,Sonya.2014." Effect of Profit Persistence, Capital Structure, Prusahaan Size, and Tax Allocation period on Empirical Study Earning Quality in Manufacturing Companies Registered in idx. Journal of Accounting and Finance Vol.16.no.1. 1-32."

[12] Saidah.H and Priyadi,M.P.2015. " Influence leverage, liquidity, size, profit growth and ios "Journal of Accounting Science and Research Vol.4.No.5 1-21

[12] Sukmawati.S, Kusmuriyanto and Agustina.L.2014. Effect of Capital Structure, Company Size, Liquidity and Return On Asset on Earning Quality Journal accounting analysis Vol 3 No 1.26-33.

[13] Sugiyono.Adan Untung.E.2016.Analisis Laporan Keuangan , Jakarta : Grasindo

[14] Sugiyono.2016.Kantitatif, Qualitative and R&D Research Methods, bandung, Alphabet.

[15] Sujarweni,Wiratna.2014.Research Methodology. Yogyakarta : New Press Library.

[16] Wijaya,David.2017.Financial Management Concept and Application.Jakarta : Grasindo.

[17] Waluyo.2014.Tax Accounting Edition 5.Jakarta:Salemba Empat.

[18]Warianto,Paulina.2014.Influence of Company Size, Capital Structure, Liquidity and Invesment Opportunity (IOS) on Earning Quality, Jurnal Modus Vol.26.no.1,19-32

[19] Yadiati.W and Mubarok.A.2017. "Quality of Financial Reporting Theoretical and Empirical Studies". prenada media kencana group, Vol.1, 1-200

Strategy Earning Quality_SOLIDJOURNAL03012021

ORIGINALITY REPORT

15%	11%	9%	6%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	archives.nseindia.com Internet Source	1%
2	Submitted to Universitas Negeri Jakarta Student Paper	1%
3	jurnal.unpad.ac.id Internet Source	1%
4	Submitted to President University Student Paper	1%
5	www.solidstatetechnology.us Internet Source	1%
6	Asif Chaudhry, Danie Coetsee, Erwin Bakker, Santosh Varughese et al. "Income Taxes", Wiley, 2015 Publication	1%
7	Taychang Wang, Chiawen Liu, Chien-Heng Jennifer Chang. "CPA-Firm Merger: An Investigation of Audit Quality", European Accounting Review, 2011 Publication	1%

8	Submitted to University of Wollongong Student Paper	1%
9	Submitted to Intercollege Student Paper	1%
10	eaa606.weblog.esaunggul.ac.id Internet Source	1%
11	repository.mercubuana.ac.id Internet Source	1%
12	www.ijoi-online.org Internet Source	<1%
13	ejournal.umm.ac.id Internet Source	<1%
14	Submitted to Antonine University Student Paper	<1%
15	Submitted to Universitas Muhammadiyah Surakarta Student Paper	<1%
16	Submitted to University of London External System Student Paper	<1%
17	Yuri Delano Regent. "Model Alokasi Stasiun Inspeksi Dengan Mempertimbangkan Work In Process dan Produk Rework Dan Scrap", Jurnal Kajian Ilmiah, 2018 Publication	<1%

18	download.atlantis-press.com Internet Source	<1%
19	www.ijbmi.org Internet Source	<1%
20	www.researchgate.net Internet Source	<1%
21	Submitted to UPN Veteran Yogyakarta Student Paper	<1%
22	fauziachmad52.wordpress.com Internet Source	<1%
23	journal.stiem.ac.id Internet Source	<1%
24	www.abacademies.org Internet Source	<1%
25	Gerald J. Lobo, Jian Zhou. "Disclosure quality and earnings management", Asia-Pacific Journal of Accounting & Economics, 2001 Publication	<1%
26	Submitted to Universitas 17 Agustus 1945 Surabaya Student Paper	<1%
27	ojs.unud.ac.id Internet Source	<1%
28	www.goldmansachs.com	

Internet Source

<1%

29 Pamela Peterson Drake, Frank J. Fabozzi. "Financial Ratio Analysis", Wiley, 2011
Publication

<1%

30 baadalsg.inflibnet.ac.in
Internet Source

<1%

31 library.croneri.co.uk
Internet Source

<1%

32 "Ratio Analysis", Salem Press Encyclopedia, 2013
Publication

<1%

33 Anisah Firli, Dadan Rahadian. "Analysis of the Impact of Terrorist Bombing Acts on Abnormal Return and Trading Volume Activity: Study of Terrorist Bombings Worldwide (2008–2017)", Emerald, 2020
Publication

<1%

34 Repositori.Usu.Ac.Id
Internet Source

<1%

35 Rong Ding, Mingzhi Liu, Tingting Wang, Zhenyu Wu. "The impact of climate risk on earnings management: International evidence", Journal of Accounting and Public Policy, 2021
Publication

<1%

36	fr.scribd.com Internet Source	<1%
37	www.emeraldinsight.com Internet Source	<1%
38	www.tatamotors.com Internet Source	<1%
39	Magda L. Bezuidenhout, Mark H.R. Bussin, Mariette Coetzee. "The chief executive officer pay–performance relationship within South African state-owned entities", SA Journal of Human Resource Management, 2018 Publication	<1%
40	repository.ubharajaya.ac.id Internet Source	<1%

Exclude quotes Off
Exclude bibliography Off
Exclude matches Off

Strategy Earning Quality_SOLIDJOURNAL03012021

GRADEMARK REPORT

FINAL GRADE

/90

GENERAL COMMENTS

Instructor

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9